

Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2018 (Japan GAAP)

November 9, 2017

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: November 10, 2017

Scheduled date to start dividend payment: December 8, 2017

Supplementary material on quarterly financial results: Yes

Briefing on this quarterly financial results : Yes (to analysts and institutional investors)

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(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the Second Quarter (from April 1, 2017 to September 30, 2017)

(1) Consolidated operating results

(The percentages indicate the rates of increase or decrease from the same period of the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2017	136,142	10.8	7,463	80.2	7,881	76.4	4,369	80.8
September 30, 2016	122,907	(1.3)	4,141	(48.9)	4,468	(49.0)	2,417	(55.4)

(Note) Comprehensive income: 4,408 million yen (increase of 77.3%) for six months ended September 30, 2017
2,486 million yen (decrease of 53.9%) for six months ended September 30, 2016

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Six months ended:		
September 30, 2017	90.97	90.70
September 30, 2016	50.07	49.89

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of September 30, 2017	130,538	70,682	54.0
As of March 31, 2017	130,768	67,711	51.7

(Reference) Shareholders' equity: As of September 30, 2017: 70,507 million yen
As of March 31, 2017: 67,562 million yen

2. Dividends

	Dividend per share (yen)				
(Record dates)	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal Year ended March 31, 2017	-	17	-	17	34
Fiscal Year ending March 31, 2018	-	17			
Fiscal Year ending March 31, 2018 (Forecast)			-	17	34

(Note) Modifications in the dividend forecast from the latest disclosure: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(The percentages indicate the rates of increase or decrease from the same period of the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	yen
Full-year	285,000	6.3	13,000	50.1	13,500	49.3	7,000	65.8	146.31

(Note) Modifications in the earnings forecast from the latest disclosure: None

Notes

- (1) Changes in important subsidiaries during this consolidated six months period (changes in Specified Subsidiaries accompanying a change in the scope of consolidation): None
- (2) Adoptions of special accounting treatments for quarterly consolidated financial statements: None
- (3) Changes in accounting principles or changes in accounting estimates or retrospective restatements.
 - 1) Changes in accounting principles due to amendments to accounting standards, etc.: None
 - 2) Changes in accounting principles other than 1): None
 - 3) Changes in estimates used for accounting: None
 - 4) Retrospective restatements: None
- (4) Number of shares outstanding (common stock)
 - 1) Number of shares outstanding (including treasury shares):

As of September 30, 2017	48,295,200 shares
As of March 31, 2017	48,291,200 shares
 - 2) Number of treasury shares:

As of September 30, 2017	450,000 shares
As of March 31, 2017	—
 - 3) Average number of outstanding shares:

During six months ended September 30, 2017	48,022,746 shares
During six months ended September 30, 2016	48,269,790 shares

*This summary is not subject to the quarterly review procedures.

*Explanation regarding appropriate use of financial forecasts and other special remarks

The forward-looking statements included in this summary such as financial forecasts are based on currently available information and certain assumptions which we deem to be reasonable as of the date of this summary. There is no guarantee that we will achieve those financial forecasts. Actual results may differ significantly from these forecasts due to various factors. Please see “1. Qualitative Information on Quarterly Results” on page 2 of the Attachment on the assumptions used for forecasts and a note on reliance on forecasts.

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1. Qualitative Information on Quarterly Results

(1) Details of consolidated operating results

Consolidated Earnings (April 1, 2017 to September 30, 2017)

(Millions of yen)

	Results for six months ended September 30, 2016	Results for six months ended September 30, 2017	Change (%)	Year ending March 31, 2018	
				Earnings forecast	Achievement (%)
Net sales	122,907	136,142	110.8%	285,000	47.8%
Operating profit	4,141	7,463	180.2%	13,000	57.4%
Ordinary profit	4,468	7,881	176.4%	13,500	58.4%
Profit attributable to owners of parent	2,417	4,369	180.8%	7,000	62.4%

For the Group's results for six months ended September 30, 2017, sales reached record high for this period where although sales for rental merchandise were sluggish, there was significant contribution from merchandise (new goods) due to hits in game related goods, and solid sales for reuse, mainly clothing and accessories. In profits, gross profit exceeded that of the same period of the previous year due to increase in sales. In selling, general and administrative expenses, we made efforts to further cut down on sales promotion expenses, personnel expenses, and consumables. As a result, operating profit, ordinary profit, and profit attributable to owners of parent increased from those of the same period of the previous year.

In developing stores, we opened 19 new "Second Street" stores (including franchise stores) that are general stores dealing with purchase and sales of reuse items from clothing and accessories to furniture and home appliances in the aim of expanding our share in the reuse market and improving the brand value of the "Second Street."

In used mobiles that are our new merchandise, the market is becoming more active and demand for "low cost smartphones" is growing. We continuously aim to gain recognition of used mobiles by providing various services such as repair services and mobile-related support provided from our specialized staff, and by also expanding e-commerce.

The numbers of our stores as of September 30, 2017 are as follows.

() show increase or decrease from the end of the previous fiscal year.

	Directly-managed stores		Distributors		FC stores		Total	
	Increase (decrease)		Increase (decrease)		Increase (decrease)		Increase (decrease)	
Total number of GEO group stores and facilities	1,592	13	104	3	125	0	1,821	16
Media	1,051	(11)	104	3	76	0	1,231	(8)
GEO mobile (mobile dedicated stores)	16	0					16	0
Reuse	520	14			49	0	569	14
WAREHOUSE	10	(1)					10	(1)
Others	11	11					11	11

Notes:

1. The numbers of stores are counted based on each store name.
2. Media stores include stores that rent DVDs and sell and purchase home game related items where they operate under the store names of GEO and GEO mobile.
3. GEO mobile means mobile store that does not operate within a media store.

4. Reuse stores include stores that sell and purchase clothing, home electronics and other items. Reuse stores operate under the store names of Second Street, Super Second Street, 2nd Outdoor, and Jumble Store, etc.

(Sales for core merchandise: Six months results)

(i) Rental

The sales for rental videos were solid during the summer due to release of hits but were soft in other periods and sales for rental resulted in 34,082 million yen (93.8% compared to the same period of the previous year).

(ii) Reuse (media)

Sales grew solidly for both mobiles and used games and sales resulted in 26,013 million yen (108.7% compared to the same period of the previous year).

(iii) Reuse (non-media)

Sales resulted in 20,539 million yen (113.9% compared to the same period of the previous year) from the opening of new stores that contributed to increase in sales, and from solid sales for clothing and accessories .

(iv) New goods

The game software launched during the summer lead the sales for game related merchandise and sales resulted in 40,417 million yen (129.1% compared to the same period of the previous year).

(2) Details of consolidated financial position

The total assets as of September 30, 2017 resulted in 130,538 million yen which is a decrease of 229 million yen from the previous fiscal year end.

The net assets were 70,682 million yen, and equity ratio was 54.0%.

(Cash flow)

Cash and cash equivalents (“cash”) at the end of period that ended on September 30, 2017 were 38,020 million yen which is a decrease of 1,112 million yen compared to that at fiscal year ended March 31, 2017.

The results of each item of cash flow and their causal factors for the six months ended September 30, 2017 are as follows.

Cash flows from operating activities

As a result of operating activities, cash increased by 6,476 million yen (where this decreased by 30 million yen in the same period of the previous fiscal year).

This increase is mainly due to profit before income taxes of 7,288 million, depreciation of 2,398 million yen, and income taxes refund of 1,897 million yen while notes and accounts payable decreased by 5,644 million yen.

Cash flows from investing activities

As a result of investing activities, cash decreased by 1,928 million yen (where this decreased by 5,354 million yen in the same period of the previous fiscal year).

This decrease is mainly due to expenditures of 2,051 million yen from purchases of property, plant and equipment.

Cash flows from financing activities

As a result of financing activities, cash decreased by 3,579 million yen (where this decreased by 977 million yen in the same period of the previous fiscal year).

This decrease is mainly due to expenditure of repayments of short-term loans payable of 12,040 million yen and long-term loans payable of 3,425 million yen, and payment of cash dividends of 819 million yen while

there were proceeds from short-term loans payable of 10,400 million yen and proceeds from long-term loans payable of 2,900 million yen.

(3) Explanation on forward-looking information including consolidated earnings forecast

With respect to consolidated earnings forecast, there were no changes from the full year forecast presented on October 27, 2017.

2. Consolidated Financial Statements for the Quarter and Major Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	34,087	36,193
Notes and accounts receivable - trade	4,595	5,384
Merchandise	25,773	27,879
Other	11,747	7,906
Allowance for doubtful accounts	(123)	(58)
Total current assets	76,081	77,305
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,482	13,392
Other, net	17,614	16,050
Total property, plant and equipment	31,097	29,443
Intangible assets	2,049	2,265
Investments and other assets		
Lease and guarantee deposits	15,319	15,415
Other	7,076	6,973
Allowance for doubtful accounts	(856)	(865)
Total investments and other assets	21,539	21,523
Total non-current assets	54,687	53,232
Total assets	130,768	130,538
Liabilities		
Current liabilities		
Accounts payable - trade	16,322	11,197
Current portion of long-term loans payable	6,072	5,947
Income taxes payable	448	2,414
Provision for bonuses	1,787	1,460
Other	9,348	9,742
Total current liabilities	33,980	30,761
Non-current liabilities		
Long-term loans payable	20,437	20,337
Asset retirement obligations	5,064	5,159
Other	3,575	3,598
Total non-current liabilities	29,076	29,094
Total liabilities	63,056	59,855
Net assets		
Shareholders' equity		
Capital stock	8,896	8,898
Capital surplus	3,309	3,311
Retained earnings	55,125	58,552
Treasury shares	-	(525)
Total shareholders' equity	67,331	70,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	243	281
Deferred gains or losses on hedges	(12)	(10)
Total accumulated other comprehensive income	231	270
Subscription rights to shares	149	174
Total net assets	67,711	70,682
Total liabilities and net assets	130,768	130,538

(2) Consolidated quarterly income statement and statement of comprehensive income

Income statement

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	122,907	136,142
Cost of sales	67,806	77,808
Gross profit	55,100	58,334
Selling, general and administrative expenses	50,959	50,871
Operating profit	4,141	7,463
Non-operating income		
Real estate rent	646	634
Other	262	479
Total non-operating income	908	1,114
Non-operating expenses		
Rent expenses on real estates	389	483
Other	192	212
Total non-operating expenses	581	695
Ordinary profit	4,468	7,881
Extraordinary losses		
Impairment loss	533	593
Total extraordinary losses	533	593
Profit before income taxes	3,934	7,288
Income taxes - current	1,380	2,451
Income taxes - deferred	137	468
Total income taxes	1,517	2,919
Profit	2,417	4,369
Profit attributable to owners of parent	2,417	4,369

Statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	2,417	4,369
Other comprehensive income		
Valuation difference on available-for-sale securities	70	37
Deferred gains or losses on hedges	(1)	1
Total other comprehensive income	69	39
Comprehensive income	2,486	4,408
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,486	4,408

(3) Consolidated quarterly statement of cash flow

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	3,934	7,288
Depreciation	2,568	2,398
Rental asset depreciation and amortization	4,472	3,622
Impairment loss	533	593
Interest and dividend income	(20)	(19)
Interest expenses	104	92
Decrease (increase) in inventories	(646)	(767)
Purchase of Rental asset	(3,905)	(2,692)
Increase (decrease) in notes and accounts payable - trade	(914)	(5,644)
Increase (decrease) in accrued consumption taxes	(487)	883
Other, net	(787)	(559)
Subtotal	4,852	5,193
Interest and dividend income received	10	12
Interest expenses paid	(107)	(92)
Income taxes paid	(4,785)	(534)
Income taxes refund	-	1,897
Net cash provided by (used in) operating activities	(30)	6,476
Cash flows from investing activities		
Purchase of securities	(1,205)	-
Purchase of property, plant and equipment	(3,158)	(2,051)
Other, net	(991)	122
Net cash provided by (used in) investing activities	(5,354)	(1,928)
Cash flows from financing activities		
Increase in short-term loans payable	9,900	10,400
Decrease in short-term loans payable	(9,900)	(12,040)
Proceeds from long-term loans payable	4,400	2,900
Repayments of long-term loans payable	(4,458)	(3,425)
Cash dividends paid	(820)	(819)
Other, net	(98)	(595)
Net cash provided by (used in) financing activities	(977)	(3,579)
Net increase (decrease) in cash and cash equivalents	(6,362)	968
Cash and cash equivalents at beginning of period	39,386	36,908
Increase in cash and cash equivalents from newly consolidated subsidiary	-	143
Cash and cash equivalents at end of period	33,024	38,020

(4) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Segment information)

【Segment information】

For the six months ended September 30, 2016 (consolidated) and the six months ended September 30, 2017 (consolidated):

Description is omitted because the Group reports only through one segment, i.e., retail services.